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No accounting of how film dollars are being spent

Those curious enough to question the state's year-old movie industry tax credit program have been assured by state officials that all would be made clear once the Michigan Film Office issued its annual report to the governor.

That report is out now and, well ... all is not clear. About all we can tell from it is that Michigan taxpayers are sinking nearly \$48 million into providing the incentives — "refundable tax credits" for 40 percent of production costs in state — to convince filmmakers to shoot 35 movies here in the last year, including one in Livingston County ("High School"). The report states filmmakers spent \$125 million while they were in town and created an estimated 2,800 jobs.

That's it. End of report. Oh, there is a list of the films that will get the credits, but no breakdown of how much they spent here or how big their individual tax credits were. The report explains that the law allows movie producers to claim confidentiality for their budgets, so only totals are being reported.

That's it. The entire report is a total of five pages long. Take out the title page and another just naming the members of the film advisory council, and the report gives exactly three pages of information.

What the report does not say is how much each film spent here or how big their credits will be; how many jobs each film created or how long those jobs lasted; what they spent the money on or what businesses benefited from that spending. It does not say how much documentation film producers had to submit to claim their "refundable tax credit," or how much auditing their documentation has to undergo before the state cuts the check to the film producer.

It's very poor accounting for how the state spent \$48 million of taxpayer money last year. Can you name one other area in which the state spends that much of the public's money without providing a full rundown of where the money went? We can't think of one.

Keep in mind that a "refundable tax credit" is not like other tax credits. Typically, a tax credit is an amount that reduces your overall tax bill. If the credit is more than the tax you owe, you don't get that money. But if the tax credit is "refundable," you do. So a film in line for a \$1 million credit may not have paid anything close to that in taxes and the state will still cut a check for the amount of the credit to the filmmaker.

We call that a subsidy. We're not the only ones. An analyst in the Senate Fiscal Agency agrees it's a subsidy. So does the Mackinac Center, a conservative think tank. Further, the state report heralds the 2,800 jobs created through this tax credit, but scrupulously avoids the question of how long those jobs actually last.

Film industry employment is notoriously short-term. Another report from Michigan State University's Center for Economic Analysis gives an idea. The report concludes that the typical movie project in Michigan films is only 23 days. Twenty-three days — that is not going to pay the bills for any employee. That's a few weeks of extra pocket change.

The MSU report goes on to claim that the movies receiving credits spurred the annual equivalent of 1,100 jobs, but even that number is after they've applied a multiplier to show how the money reverberates through the economy. Even that report avoids telling us what 2,800 jobs for 23 days works out to in full-time equivalents.

You would think that if this movie credit was such a good idea, if it was really producing good results for Michigan, and if it was a great investment of Michigan taxpayers' money, that state officials would be more than willing to tell the public all about it. If this was a good program, we think it likely the state would be overwhelming us with information. So the fact the state is working so hard to avoid informing the public how this program really works worries us.

The state should start informing the public what it is doing with that money. Otherwise, the lack of information only raises suspicions and makes the program look worse. What it looks like, at this point, is a boondoggle. What it looks like is a massive subsidy from Michigan taxpayers to Hollywood movie moguls.

If that's not true, the state must show the public why.
